SOHO China Limited
SOHO中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 410)

2008 INTERIM RESULTS ANNOUNCEMENT

The board of directors ("the Board") of SOHO China Limited ("Company" or "the Company") announces the unaudited consolidated interim results of the Company and its subsidiaries ("Group" or "the Group") for the six months ended 30 June 2008 ("the Period" or "the Period under Review"), which have been prepared in accordance with the Rules ("the Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The 2008 interim results of the Group have not been audited but have been reviewed by the audit committee of the Company and approved by the Board on 18 September 2008. The interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG.

For the six months ended 30 June 2008, the Group achieved a turnover of RMB104,555,000, gross profit of RMB63,904,000 and gross profit margin of 61%. During the Period, the Group did not have any new projects completed and booked, and net loss attributable to equity shareholders of the Company for the Period was RMB145,783,000.

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2008.

Consolidated income statement
for the six months ended 30 June 2008 – unaudited

		Six months ended 30 June	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
Turnover	2	104,555	423,413
Cost of properties sold		(40,651)	(191,138)
Gross profit		63,904	232,275
Other operating revenue		32,869	43,187
Selling expenses		(75,177)	(42,528)
Administrative expenses		(123,864)	(63,049)
Other operating expenses		(63,806)	(34,605)
(Loss)/profit from operations		(166,074)	135,280
Financial income		120,624	18,013
Financial expenses	3	(100,104)	(1,104)
Government grants		26,337	–
(Loss)/profit before taxation	3	(119,217)	152,189
Income tax	4	(31,695)	(91,377)
(Loss)/profit for the period		(150,912)	60,812
Attributable to:			
Equity shareholders of the Company		(145,783)	63,030
Minority interests		(5,129)	(2,218)
(Loss)/profit for the period		(150,912)	60,812
Basic and diluted (loss)/earnings per share (RMB)	6	(0.028)	0.017

Consolidated balance sheet
at 30 June 2008 – unaudited

	Note	At 30 June 2008	At 31 December 2007
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		690,125	819,782
Restricted bank deposits		378,205	1,247,246
Deferred tax assets		37,745	4,718
Total non-current assets		1,106,075	2,071,746
Current assets			
Properties under development and completed properties held for sale		13,521,308	7,286,183
Trade and loan receivables	7	76,407	99,857
Amounts due from and advances to related parties		29,156	77,127
Prepaid expenses and other receivables		369,998	174,470
Term deposits with banks		802,000	–
Cash and cash equivalents		9,483,197	13,748,792
Total current assets		24,282,066	21,386,429
Current liabilities			
Bank loans		3,555,486	1,000,000
Accrued construction expenditure and other payables	8	3,889,040	2,342,021
Sales deposits		2,332,547	1,610,957
Income tax payable		1,634,373	2,732,407
Total current liabilities		11,411,446	7,685,385
Net current assets		12,870,620	13,701,044
Total assets less current liabilities		13,976,695	15,772,790

Consolidated balance sheet
at 30 June 2008 – unaudited (continued)

	Note	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Non-current liabilities			
Bank loans		215,688	1,000,000
Contract retention payables		63,642	103,398
Deferred tax liabilities		68,154	51,031
Total non-current liabilities		347,484	1,154,429
NET ASSETS		13,629,211	14,618,361
CAPITAL AND RESERVES			
Share capital	9	108,205	108,352
Reserves		13,413,157	14,347,480
Total equity attributable to the equity shareholders of the Company		13,521,362	14,455,832
Minority interests		107,849	162,529
TOTAL EQUITY		13,629,211	14,618,361

1 Basis of preparation

The interim financial report of SOHO China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee and the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG's unmodified independent review report to the board of directors is included in the interim report to be sent to shareholders.

2 Turnover and segment reporting

Turnover represents revenue from the sale of property units, net of business tax.

The Group's operating segments are as follows:

(i) Shangdu phase one

The phase one of Shangdu project is not developed under the brand name of "SOHO". All the risks and rewards associated with the development of the phase one of Shangdu project is solely borne by Beijing Huayuan Real Estate Co., Ltd. and Beijing Shangcheng Real Estate Development Co., Ltd. which manage the phase one of Shangdu project. The profits or losses and net assets relating to the phase one of Shangdu project are included in minority interests.

(ii) SOHO properties

SOHO properties represented other projects which are developed under the brand name of "SOHO". These projects are managed by the directors of the Company.

The operating segments are determined primarily because these projects are managed separately and the properties are developed under different brand names.

	SOHO properties	Shangdu phase one	Total
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2008			
Turnover	101,503	3,052	104,555
Cost of properties sold	(38,048)	(2,603)	(40,651)
Gross profit	63,455	449	63,904
Other operating revenue	32,869	–	32,869
Selling expenses	(74,777)	(400)	(75,177)
Administrative expenses	(122,915)	(949)	(123,864)
Other operating expenses	(63,806)	–	(63,806)
Loss from operations	(165,174)	(900)	(166,074)
Financial income	120,408	216	120,624
Financial expenses	(100,100)	(4)	(100,104)
Government grants	26,337	–	26,337
Loss before taxation	(118,529)	(688)	(119,217)
Income tax	(31,608)	(87)	(31,695)
Loss for the period	(150,137)	(775)	(150,912)
For the six months ended 30 June 2007			
Turnover	423,413	–	423,413
Cost of properties sold	(191,138)	–	(191,138)
Gross profit	232,275	–	232,275
Other operating revenue	43,100	87	43,187
Selling expenses	(42,494)	(34)	(42,528)
Administrative expenses	(56,311)	(6,738)	(63,049)
Other operating expenses	(34,600)	(5)	(34,605)
Profit/(loss) from operations	141,970	(6,690)	135,280
Financial income	17,796	217	18,013
Financial expenses	(1,091)	(13)	(1,104)
Profit/(loss) before taxation	158,675	(6,486)	152,189
Income tax	(91,377)	–	(91,377)
Profit/(loss) for the period	67,298	(6,486)	60,812

3 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Financial expenses		
Interest on borrowings	76,539	57,235
Less: Interest expense capitalised into properties under development	(76,539)	(57,235)
	–	–
Net loss attributable to equity shareholders of the Company on derivative financial instruments	2,629	–
Net foreign exchange loss	94,995	–
Bank charges and others	2,480	1,104
	100,104	1,104
Depreciation	14,988	14,203

4 Income tax

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Provision for the period		
– PRC Enterprise Income Tax	18,330	47,149
– Land Appreciation Tax	29,269	44,228
Deferred tax	(15,904)	–
	31,695	91,377

The provision for income tax comprised PRC Enterprise Income Tax and Land Appreciation Tax.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The provision for PRC Enterprise Income Tax for the Group's subsidiaries in the People's Republic of China (the "PRC") is based on a statutory rate of 18% to 25% (2007: 15% to 33%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the period.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

5 Dividends

(a) Dividends attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2008 and 2007.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of RMB0.10 per share (year ended 31 December 2006: RMB nil per share)	523,241	–

6 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2008 of RMB145,783,000 (2007: profit of RMB63,030,000), and the weighted average of number of 5,231,875,000 ordinary shares, after adjusting for the repurchase of own share during the interim period (2007: 3,750,000,000 ordinary shares, after adjusting for the share split in 2007).

During the six months ended 30 June 2008, diluted earnings per share are calculated on the same basis as basic earnings per share as the share options granted to the employees did not have dilutive effect as at 30 June 2008.

During the six months ended 30 June 2007, diluted earnings per share are calculated on the same basis as basic earnings per share as there was no dilutive potential shares outstanding during the period.

7 Trade and loan receivables

The ageing analysis of trade and loan receivables (net of impairment losses) is as follows:

	At 30 June 2008	**At 31 December 2007**
	RMB'000	*RMB'000*
Current or less than 1 month overdue	6,572	34,934
1 to 6 months overdue	3,395	32,883
6 months to 1 year overdue	34,935	2,515
Overdue more than 1 year	31,505	29,525
	76,407	99,857

8 Accrued construction expenditure and other payables

	Note	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Accrued expenditure on land and construction	(i)	1,549,525	1,604,970
Advances from third parties		165,686	54,784
Staff salaries and welfare payables		32,753	32,911
Other taxes payable		83,453	14,570
Consideration payable for acquisition of subsidiaries	(ii)	1,636,649	533,390
Derivative financial instruments		40,335	–
Others		380,639	101,396
		3,889,040	2,342,021

Notes:

(i) These accrued expenditure payables on land and construction are expected to be settled within a year.

The ageing analysis of accrued expenditure on land and construction is as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Due within 1 month or on demand	1,306,294	1,214,552
Due after 1 month but within 3 months	243,231	390,418
	1,549,525	1,604,970

(ii) As at 30 June 2008, the balance represented consideration payable of RMB1,203,521,000 (2007: RMB nil), RMB101,500,000 (2007: RMB198,940,000) and RMB331,628,000 (2007: RMB334,450,000) for the acquisitions of Beijing Kaiheng Real Estate Co., Ltd., Beijing Millennium Real Properties Development Co., Ltd. and Beijing Yeli Real Properties Development Co., Ltd., respectively.

9 Share capital

	Note	Six months ended 30 June 2008 No. of shares *('000)*	Six months ended 30 June 2008 *RMB'000*	Six months ended 30 June 2007 No. of shares *('000)*	Six months ended 30 June 2007 *RMB'000*
Authorised:					
Ordinary shares of HKD0.02 each	(i)	7,500,000		7,500,000	
Issued and fully paid:					
At 1 January		5,232,413	108,352	750,000	79,642
Share split	(i)	–	–	3,000,000	–
Repurchase of own shares	(ii)	(8,345)	(147)	–	–
At 30 June		5,224,068	108,205	3,750,000	79,642

(i) Share split

Pursuant to a written resolution of all the members of the Company passed on 29 May 2007, it was resolved that every issued and unissued ordinary shares of par value HKD0.10 each in the capital of the Company be subdivided into 5 ordinary shares of par value HKD0.02 each such that the Company has thereafter an authorised share capital of HKD150,000,000 divided into 7,500,000,000 ordinary shares of par value HKD0.02 each and an issued share capital of HKD75,000,000 divided into 3,750,000,000 ordinary shares of par value HKD0.02 each.

(ii) Repurchase of own shares

During the six months ended 30 June 2008, the Company repurchased its own shares on the Main Board of the Stock Exchange as follows:

Date/month/year	Number of shares repurchased	Highest price paid per share *HKD*	Lowest price paid per share *HKD*	Aggregate price paid *HKD'000*
16 June 2008	3,719,000	4.40	4.10	15,956
17 June 2008	1,224,500	4.44	4.38	5,396
18 June 2008	1,044,000	4.49	4.34	4,598
20 June 2008	1,453,000	4.35	4.10	6,073
24 June 2008	489,000	4.10	4.07	2,002
30 June 2008	415,000	4.34	4.21	1,770
				35,795

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of HKD167,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HKD35,628,000 was charged to the retained profits.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the Period, the Company's pre-sales primarily came from two projects, namely Guanghualu SOHO and Beijing SOHO Residences.

Project	Total saleable area *(sq.m.)*	Percentage of saleable area sold by 30 June 2008	Total pre-sale amount by 30 June 2008 *(RMB'000)*	Pre-sale amount in the Period *(RMB'000)*	Pre-sold area in the Period *(sq.m.)*	Average price in the Period *(RMB/sq.m.)*
Guanghualu SOHO	58,860	100.0%	2,242,132	90,609	2,277	39,792
Beijing SOHO Residences	54,325	41.2%	1,066,204	612,864	12,707	48,230

* *saleable area, pre-sold/sold area and amount exclude that of car parks in the projects.*

Pre-sale of the much anticipated Sanlitun SOHO project was launched on 12 July 2008, and achieved a very successful pre-sale result. By 12 September 2008, the pre-sale amount for Sanlitun SOHO had already reached RMB5,939 million, with an average price of RMB48,840 per square meter, and 121,595 square meters sold.

Sanlitun SOHO pre-sales as at 12 September 2008

Type	Pre-sale amount *(RMB'000)*	Pre-sold area *(sq.m.)*	Average price *(RMB/sq.m.)*
Retail	3,814,278	65,226	58,478
Office	1,655,166	45,019	36,766
Residential	469,253	11,351	41,342
Total	5,938,697	121,595	48,840

During the Period, the Group mainly undertook the development of four projects, namely Guanghualu SOHO, Sanlitun SOHO, Beijing SOHO Residences and Guanghualu SOHO II, and completed the acquisition of Chaoyangmen SOHO.

During the Period, the Group completed no projects. As at 30 June 2008, approximately 1,283,349 square meters remained under development.

Project	Type	Gross Floor Area ("GFA") ** *(sq.m.)*	Group Interest
Guanghualu SOHO	Retail, office	75,887	95%
Beijing SOHO Residences	Residential, retail	66,616	100%
Sanlitun SOHO	Retail, office, residential	465,680	95%
Guanghualu SOHO II	Retail, office	190,000	100%
Chaoyangmen SOHO	Retail, office, residential	485,166	100%
Total		1,283,349	

** *estimated area of the projects*

The Group acquired a new project, ZhongGuanCun SOHO, on 31 August 2008 at a total consideration of RMB890 million. ZhongGuanCun SOHO Project is an office and retail complex, with a total planned GFA of 58,850.44 square meters and a total saleable area of 54,260.88 square meters (of which the saleable retail and office area is 44,208.66 square meters).

PROJECTS UNDER CONSTRUCTION

Guanghualu SOHO

Guanghualu SOHO is located in Beijing Central Business District and close to the China World Trade Center and the Silk Market. Upon completion, Guanghualu SOHO will comprise four connected commercial towers with a total planned GFA of approximately 75,887 square meters. By 30 June 2008, Guanghualu SOHO's retail and office space was 100% pre-sold and the project's pre-sale amount was approximately RMB2,269 million (including car parks). The project is expected to be completed by the end of 2008.

Beijing SOHO Residences

Beijing SOHO Residences is located in the Lufthansa Business Circle in central Beijing and is a high-end apartment project with a total planned GFA of approximately 66,616 square meters. The Company acquired this project on 2 November 2007, less than one month after the listing of the Company's shares on the Main Board of the Stock Exchange ("the SOHO China Listing"). The total purchase price was RMB1,412 million. On 19 December 2007, Beijing SOHO Residences commenced pre-sale, as the main structure had been completed upon acquisition. As at 30 June 2008, the pre-sale amount had reached approximately RMB1,066 million. During the Period, the project achieved an average pre-sale price of RMB48,230 per square meter. The project is expected to be completed by the end of 2008.

Sanlitun SOHO

Sanlitun SOHO is located close to the second embassy district and the Workers' Stadium in Beijing. The site is close to the popular Sanlitun entertainment district. With a total planned GFA of approximately 465,680 square meters, Sanlitun SOHO is one of the largest commercial and residential complexes available for sale in central Beijing. It will be developed into five office towers and four residential towers on top of shopping malls, which are linked by an outdoor piazza. Pre-sale of Sanlitun SOHO commenced on 12 July 2008. Within one week, the pre-sale amount reached a record of approximately RMB4,650 million. As at 12 September 2008, the pre-sale amount for Sanlitun SOHO already reached approximately RMB5,939 million, with an average price of RMB48,840 per square meter, and 121,595 square meters sold.

Almost all investors in Sanlitun SOHO were domestic clients, with approximately half from repeat and referral customers. The success of the pre-sale of Sanlitun SOHO, contrary to the market trend, can be attributed to a combination of the prime location, product design, and our strong sales team. It also clearly demonstrates the resilience of our business model of "build-and-sell" city center commercial projects.

Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District with a total planned GFA of approximately 190,000 square meters. The Company acquired this project on 2 November 2007, less than one month after the SOHO China Listing. The Company is in the process of obtaining all necessary permits to commence construction of the project.

NEWLY ACQUIRED PROJECTS

Chaoyangmen SOHO

On 26 May 2008, the Company acquired Chaoyangmen SOHO (formerly known as Kaiheng Center) at a total consideration of approximately RMB5,544 million, of which approximately RMB2,200 million was for the acquisition of the equity interest and approximately RMB3,344 million was for assuming the pre-existing debts of the project company.

Prior to the transaction, the project company had entered into a series of loan agreements with Minsheng Bank. After the execution of the acquisition agreement, Minsheng Bank would provide the project company with a loan facility of up to RMB3,000 million (including the current loans and interest of approximately RMB1,600 million already provided by Minsheng Bank to the project company) for a term of three years. Minsheng Bank would further provide a loan facility of up to RMB2,600 million for the construction of the southern part of the project.

Chaoyangmen SOHO is located within the Second Ring Road on Chaoyangmennei Dajie in Dongcheng District, Beijing. The total area of the construction site is approximately 68,642 square meters. Chaoyangmen SOHO has 500 meters of frontage along the East Second Ring Road and is located at the junction of two subway lines, creating retail space with some of the highest foot fall in Beijing.

The project's total planned GFA is 485,166 square meters, making it the Group's second largest project after Jianwai SOHO. About 53,075 square meters (constituting 11% of the total planned GFA) of this project's Phase I had already been sold to Bank of China as its Beijing branch headquarters. The Group will develop the remaining 432,091 square meters into high-quality retail, office and luxury residences.

ZhongGuanCun SOHO

On 31 August 2008, the Company acquired a new project, ZhongGuanCun SOHO, at a total consideration of RMB890 million.

ZhongGuanCun SOHO is located at the center of Zhongguancun. Zhongguancun, often referred to as the "Silicon Valley of China", is well known as the most advanced high-tech center in China. With its mature and vibrant commercial atmosphere, unique and modern office and commercial buildings and with a high rental yield and great price appreciation potential, it is becoming another dynamic, fast-growing commercial center of Beijing to rival the Central Business District and Financial Street.

ZhongGuanCun SOHO is an office and retail complex. It has a construction site area of 5,654.39 square meters, a total planned GFA of 58,850.44 square meters and a total saleable area of 54,260.88 square meters (of which the saleable retail and office area is 44,208.66 square meters). It is within walking distance of subway stations on two subway lines (Number 10 and Number 4). The acquisition of this project marks the Company's expansion into the Western section of Beijing city center.

Construction of ZhongGuanCun SOHO will be completed by the end of 2008. After the completion of the acquisition, the Company will upgrade the interior design and decoration of ZhongGuanCun SOHO, turning it into one of the landmark buildings of Zhonguancun.

FINANCIAL REVIEW

Turnover

Turnover (net of business tax) for the first half of 2008 was RMB104.6 million, representing a decrease of RMB318.8 million, or 75%, as compared with RMB423.4 million in the same period of 2007. This was mainly due to the decrease of the floor area booked in the first half of 2008. Area booked during the Period was recorded at 3,173 square meters (not including car parks), compared to 14,591 square meters in the same period of 2007. In the first half of 2008, average price of booked floor area (not including car parks) was RMB35,437 per square meter, compared to RMB28,874 per square meter in the same period of 2007. In the first half of 2008, the Group did not complete and book any new projects. The turnover recognized in the first half of 2008 was attributable to the inventories from 2007, which fulfilled the conditions for settlement during the Period.

Cost of properties sold

Cost of properties sold in the first half of 2008 was RMB40.7 million, representing a decrease of RMB150.4 million, as compared with RMB191.1 million for the same period of 2007. The year-on-year decrease in cost of properties sold was mainly the result of the decline in the floor area booked.

Gross profit

Gross profit for the first half of 2008 was RMB63.9 million, representing a decrease of RMB168.4 million, or 72%, as compared with RMB232.3 million for the same period of 2007. Gross profit margin for the first half of 2008 was 61%, as compared to 55% in the same period of 2007.

Selling expenses

Selling expenses for the first half of 2008 were RMB75.2 million, representing an increase of RMB32.7 million, as compared with RMB42.5 million for the same period of 2007. This increase was mainly the result of the comprehensive marketing expenditures incurred for Sanlitun SOHO and Beijing SOHO Residences.

Administrative expenses

Administrative expenses for the first half of 2008 were RMB123.9 million, representing an increase of RMB60.9 million, as compared with RMB63.0 million for the same period of 2007. The increase was a direct result of the expansion in operations, and in the number of employees and professional management after the SOHO China Listing.

Financial income

Financial income for the first half of 2008 was RMB120.6 million, compared to RMB18.0 million for the same period of 2007, attributable to interest derived from the listing proceeds from the SOHO China Listing.

Financial expenses

Financial expenses for the first half of 2008 were RMB100.1 million, compared to RMB1.1 million for the same period of 2007, attributable to exchange rate losses in respect of the listing proceeds resulting from exchange rate fluctuations.

Income tax

Income tax is comprised of the PRC Enterprise Income Tax and the Land Appreciation Tax. The Enterprise Income Tax for the first half of 2008 was RMB2.4 million, representing a decrease of RMB44.8 million, as compared with RMB47.2 million in the same period of 2007. Land Appreciation Tax for the first half of 2008 was RMB29.3 million, representing a decrease of RMB14.9 million, as compared with RMB44.2 million in the same period of 2007.

With the implementation of the Enterprise Income Tax Law of the People's Republic of China effective from 1 January 2008, the income tax rate applicable to the PRC subsidiaries of the Company (except for Hainan Redstone Industry Co., Ltd.) has been reduced from 33% to 25%.

Net profit/loss

Net loss attributable to equity shareholders of the Company for the first half of 2008 was RMB145.8 million, representing a decrease of RMB208.8 million, as compared with net profit attributable to equity shareholders of the Company of RMB63.0 million for the same period of 2007. The loss was attributable to the fact that the Company did not have any new projects completed and booked during the Period.

Cash and cash equivalents

Cash and cash equivalents as at 30 June 2008 were RMB9,483 million, representing a decrease of RMB4,266 million, or 31%, from RMB13,749 million as at 31 December 2007. Cash was mainly used for land or project acquisition, construction, working capital and operational expenses.

Total current assets and liquidity ratio

Total current assets as at 30 June 2008 was RMB24,282 million, representing an increase of RMB2,896 million, or 14%, from RMB21,386 million as at 31 December 2007. The liquidity ratio (total current asset/total current liabilities) was 2.13 on 30 June 2008, compared to 2.78 on 31 December 2007.

Bank loans and collaterals

As at 30 June 2008, the loan balance of the Group was RMB3,771 million, representing 14.9% of the total assets of the Group. This represented a 6.4% increase from the 8.5% debt to total asset ratio as at 31 December 2007. Of these loans, RMB1,000 million is due in December 2008, while another RMB1,000 million is due in February 2009. The remaining loan facilities of RMB1,771 million was assumed during the acquisition of Chaoyangmen SOHO, of which RMB663 million was past-due and is in the process of being resolved, RMB303 million was due on 30 June 2008, RMB400 million is due in September 2008, RMB190 million is due in March 2009, and RMB215 million is due in December 2009.

As at 30 June 2008, bank loan of RMB2,965 million was collateralized by the Group's land use rights and properties and RMB789 million was guaranteed by independent third parties.

Interest rate

The Group's interest rate is primarily the People's Bank of China's floating rate. From 1 January 2008 to 30 June 2008, the one-year RMB lending rate was maintained at 7.47% per annum. The interest rate risk borne by the Group primarily arises from the fluctuations in the lending rate of the Group's debts. Increased interest rates could lead to higher borrowing costs for the Group.

Exchange rate volatility risk

The Group's operations are mostly conducted in RMB. In the first half of 2008, the RMB to USD exchange rate steadily increased. Because of China's foreign exchange policy, the Group was limited to a certain extent in its ability to remit US Dollars and HK Dollars derived from the listing proceeds from the SOHO China Listing into China and convert them into RMB. This had resulted in a RMB95.0 million currency exchange loss.

Contingent liabilities

As at 30 June 2008, the Group had provided guarantees of an amount of RMB2,723 million for mortgage loans to property buyers (as at 31 December 2007, the amount was RMB3,168 million).

Capital commitment

As at 30 June 2008, the Group's capital commitment for contracted property development was RMB1,776 million (RMB1,642 million as at 31 December 2007). This amount was comprised mainly of contracted property development cost and land acquisition cost. As at 30 June 2008, the Group had a capital commitment equivalent to RMB5,394 million as equity investment, which was related to the acquisition of equity interest in Beijing Tianjie Property Development Co., Ltd.

Use of listing proceeds

The listing proceeds were partly used for the property development of the Company or its subsidiaries.

Employees

In the first half of 2008, the Company achieved great strides in human resources management. The total number of employees increased to 333 as at 30 June 2008 (excluding hotel employees).

The Company expanded its senior executives from 6 to 8. Mr. Wang Shaojian Sean was appointed Chief Financial Officer ("CFO") on 2 June 2008 and Ms. Lai Chor Shan was appointed the Company's Legal Counsel on 26 May 2008. Former CFO, Ms. Yan Yan was promoted to the position of President.

Remuneration policy

We treasure our simple and efficient remuneration policy which is based on five major principles: "fairness, competitiveness, incentivisation, combined achievement and legality". The remuneration of the executive directors of the Company is also based on the Company's growth and profit and subject to the market environment.

The remuneration of our employees includes their basic salary and bonuses. Bonuses are determined on a quarterly basis based on performance reviews. Remuneration of sales staff primarily is comprised of commissions linked to sales performance. After the SOHO China Listing, the Company also granted share options to the senior employees pursuant to the share option scheme of the Company adopted by the Company on 14 September 2007 as part of their remuneration packages.

MARKET REVIEW

In the first half of 2008, China's real estate industry entered a period of correction. Nationwide real estate prices were up 1.10% from the end of 2007, although several of the first tier cities saw prices lower than where they were at the end of last year, such as Guangzhou, which fell 0.7%, and Shenzhen, which fell 8.49%. To put this in perspective, in the second half of 2007, nationwide real estate prices rose by 7.09%. The first half of 2008 saw month on month price growth tapering off, with no growth from May to June. The real estate transaction volume was low for the first half of 2008 with buyers taking a wait-and-see view. Nationwide total sales and total area sold were down 3% and 8% respectively in June 2008 compared with June 2007.

There were many factors which contributed to China's real estate market adjustment, including China's tightening monetary policies, the global economic downturn and business cycles within the industry. In order to counter high inflation, China implemented monetary tightening measures and raised market interest rates and bank reserve ratios several times. This government imposed credit crunch reduced the funding available for real estate development and availability of mortgages for home buyers. Meanwhile in the domestic and international capital markets, investors' appetite for property development companies declined dramatically. The subprime crisis that started in the United States slowed down the global economic growth, and China's real estate, a major component of the Chinese economy, was tangentially impacted by this negative sentiment.

Although China's real estate industry was experiencing adjustments in the first half of 2008, the fundamental demand of the real estate market has not changed. The consensus remains that the long-term prospect for the industry is robust because demand for more and better housing and commercial space will continue unabated, given China's ongoing urbanization and social and individual wealth growth.

Beijing property market has been more resilient in this period of adjustment. In the first half of 2008, adjustments in the industry had not significantly impacted property prices, especially Beijing city center office and retail prices, despite the obvious shrinkage in transaction volume. Beijing's residential developments were more vulnerable than the commercial developments. The 2008 Olympics was the impetus for extensive investment in infrastructure development of Beijing municipality. The vibrant political and economic conditions fueled the impressive growth in the real estate sector, especially benefiting the commercial property development in the city center of Beijing.

Unique and successful business model

SOHO China is China's premier developer of iconic commercial properties. Most projects developed by the Group are located in the city center of Beijing. The Group has developed six SOHO projects in Beijing Central Business District. During the Period, the Group continued to focus on developing commercial properties in the heart of Beijing, selling them to property investors and providing comprehensive after-sales service. Faced with the volatile property market sentiment, the Group still managed to achieve exceptional pre-sale results. On 12 July 2008, we launched pre-sale of the much anticipated Sanlitun SOHO project and achieved pre-sales of RMB4,650 million within a week, making a new record of selling speed. By 12 September 2008, it had achieved an unexpectedly high average selling price of RMB48,840 per square meter. This exceptional pre-sale result proved the strength of the Company's unique business model once again.

In the current market downturn, the Company's strength is the result of its unique business model of "build-and-sell" prime commercial properties to property investors in different parts of China. With limited supply in prime locations, the Company's projects can sell faster and command higher selling price. In addition, our property investors, unlike residential buyers, are less dependent on mortgage and less sensitive to mortgage control. Consequently, we are less impacted by the volatile market than mass residential developers. With our conservative financial gearing and strong cash balance, we are in the position to seize valuable acquisition opportunities with reasonable price that emerge from this difficult market.

BUSINESS OUTLOOK

The Company believes that current market conditions will have a limited impact on our sales. Aided by the comprehensive development of Beijing's municipal infrastructure, prime city center commercial property in Beijing will continue to be the preferred defensive investment product against inflation.

The successful listing of the Company last year provided the Company with the cash to replenish the Company's land bank and increase the number of projects under development. The additional capital from the SOHO China Listing also provided the Company with the option to hold some iconic projects as investment properties.

During the Period, the Company acquired Chaoyangmen SOHO, an impressive 485,166-square-meter mixed-use commercial property within the Second Ring Road. In addition, the Company had expanded into the western section of Beijing city center through the acquisition of ZhongGuanCun SOHO. The Company views this current down turn in the property development sector as a "golden" opportunity for acquisitions of prime city center projects in key cities such as Beijing and Shanghai. With a cash position of RMB9.5 billion and low gearing ratio, the Company is well positioned to take full advantage of the increased availability of prime projects coming to market. These potential acquisitions share the common characteristics of reasonable entry price and valuable asset appreciation potential because of the locations of the projects.

The Company will continue to refine and execute our business model of "build-and-sell" valuable city center commercial properties to property investors. At the same time, the Company seeks to hold a portion of these iconic developments as its investment property. This will ensure that as the Company increases its turnover, recurring earnings can be generated to provide stability to our net income, and intrinsic net asset value of the Company will be enhanced.

OTHER INFORMATION

Dividend

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2008.

In May 2008, the Company distributed the final dividend for the year ended 31 December 2007, equivalent to RMB523 million to equity shareholders of the Company.

Purchase, sale or redemption of listed securities of the Company

During the six-month period ended 30 June 2008, the Company made six repurchases of its ordinary shares. Details of the repurchases are set out in note 9(ii) to the consolidated financial statements.

As at 30 June 2008, the Company had repurchased in total 8,344,500 ordinary shares, representing 0.159% of its total issued capital. All the shares repurchased in the Period were duly cancelled in July 2008.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the directors of the Company ("Directors"). The Company has made specific enquiry to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

Compliance with the Code on Corporate Governance Practices

The Company is committed to upholding high standards of corporate governance. The Company had been in full compliance with the code provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the Period.

Audit committee

The audit committee comprises three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun. The committee is chaired by Dr. Ramin Khadem. The audit committee had reviewed the interim results for the period ended 30 June 2008 and took the view that the Company was in full compliance with all applicable accounting standards and regulations and had made full disclosure.

Publication of financial information

The Company's 2008 interim report which sets out all the information required by the Listing Rules will be published on the designated website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.sohochina.com in due course.

By order of the Board of
SOHO China Limited
PAN Shiyi
Chairman

Hong Kong, the PRC
18 September 2008

As at the date of this announcement, the Board comprises Mr. PAN Shiyi, Mrs. PAN ZHANG Xin Marita, Ms. YAN Yan, Mr. SU Xin and Mr. WANG Shaojian Sean, being the executive Directors and Dr. Ramin KHADEM, Mr. CHA Mou Zing Victor and Mr. YI Xiqun, being the independent non-executive Directors.